GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2560
ANSWERED ON:25.07.2014
REDUCTION OF CURRENT ACCOUNT DEFICIT
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Will the Minister of FINANCE be pleased to state:

(a) the details of the current account deficit of the country over the last three years;

(b) the measures taken by the Government to reduce current account deficit;

(c) the target for reduction of current account deficit during the financial year 2014-15; and

(d) the measures taken to achieve the target?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SMT. NIRMALA SITHARAMAN)

(a) The Current Account Deficit (CAD) of the country in the last three years are as follows:

Table: CAD during the last three years

Year	CAD (US $ billion)	CAD as percentage of GDP
2011-12	78.2	4.2
2012-13	88.2	4.7
2013-14	32.4	1.7

(b) to (d) The sharp depreciation that occurred in the exchange rate of the rupee in the period June to September 2013 owed to the continuance of the elevated level of CAD till the first quarter of 2013-14 and the volatility of foreign institutional investors flows reflecting the market reaction to the US Federal Reserve announcement in May 2013 about its intent to begin the rollback of its quantitative easing or asset purchase programme. As such widening of CAD was unsustainable, the Government put in place a number of measures aimed at containing it. These inter alia include: compressing import of gold and silver and non-essential items including through hike in customs tariffs and other limits; raising diesel prices periodically in small doses, promoting exports through incentives and widening the scope of schemes focusing on export market and products. As a step towards restricting the gold imports, Government linked gold imports with the gold exports, whereby 20 per cent of the imported gold has to be channelized for gold exporters. Inflation Indexed Bonds has been introduced on June 04, 2013 to wean investors from gold to other savings instruments and help in moderating gold demand. Government does not target specific levels, but seeks to monitor the balance of payments developments closely and calibrate policies/measures to meet the broad objectives of moderating CAD to sustainable levels.